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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

July 23, 1999

Magalie Roman Salas  
Federal Communications Commission  
The Portals  
Room TW-A325  
445 Twelfth Street, S.W.  
Washington, DC 20554

In re: In the Matter of Federal-State Joint Board  
Universal Service - CC Docket No. 96-45  
Access Charge Reform - CC Docket No. 96-262

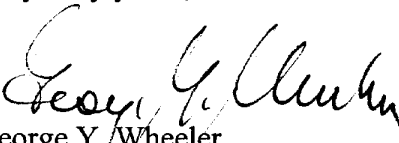
Dear Ms. Salas:

Transmitted herewith, on behalf of United States Cellular Corporation, are an original and four copies of its Comments in the above-captioned matter.

There is also a 3.5 inch diskette being submitted to Sheryl Dodd in the FCC's Accounting Policy Division and to International Transcription Systems, Inc.

In the event there are any comments or questions concerning this matter, please direct them to the undersigned.

Very truly yours,

  
George Y. Wheeler

Enclosure

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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

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In the Matter of	)	
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Universal Service	)	
	)	
Access Charge Reform	)	CC Docket No. 96-262

COMMENTS OF  
UNITED STATES CELLULAR CORPORATION

United States Cellular Corporation ("USCC"),<sup>1</sup> by its attorneys, responds to the Commission's Seventh Report and Thirteenth Order on Reconsideration in CC Docket No. 96-45, Fourth Report & Order in CC Docket No. 96-262 and Further Notice of Proposed Rulemaking (FCC 99-119) released May 28, 1999 ("Seventh Report and Order") in the above-captioned proceeding. Specifically, USCC comments on how the ongoing implementation of the principles established in Section 254(b) of the Communications Act of 1934, as amended ("Act"),<sup>2</sup> should be accomplished to foster universal service mechanisms which are specific, predictable and sufficient, promote operating efficiency, eliminate artificial investment incentives and, most importantly, recognize the central role of local competition in promoting the availability of affordable and reasonably comparable essential services.

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<sup>1</sup> USCC provides cellular telephone service to approximately 2.3 million customers through 136 majority-owned and managed cellular systems serving approximately 17 percent of the land area and approximately 9 percent of the population of the United States (approximately 24.1 million people).

<sup>2</sup> 47 U.S.C. 254(b)

### Introduction

Under the terms of the Order Designating Eligible Telecommunications Carriers of the Washington Utilities and Transportation Commission in Docket No. UT-970345 dated December 23, 1997, USCC is now designated as an eligible telecommunications carrier in ten non-rural exchanges in the State of Washington including seven presently served by U.S. West Communications, Inc. and three served by GTE Northwest, Incorporated.<sup>3</sup> USCC offers dial tone service in all of the foregoing non-rural exchanges.

USCC applauds the Commission's efforts to implement revisions to federal support mechanisms contemplated under Section 254 of the Act which foster and accelerate development of local competition. USCC is vitally concerned that any revisions to these mechanisms be pro-competitive, technology neutral, non-discriminatory and cost-efficient to withstand pressures to increase overall federal support obligations.

### Discussion

The following steps outlined in the Commission's Seventh Report and Order are essential to create meaningful opportunities for potential new entrants to the local markets to compete for residential and high-cost consumers.

1. Universal service support should be made available to all eligible telecommunications carriers including commercial mobile radio service carriers like USCC who provide supported services. USCC strongly supports the Commission's efforts to eliminate regulatory obstacles to the

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<sup>3</sup> These exchanges include Centralia, Chehalis, Winlock, Castlerock, Longview-Kelso, Woodland, Yakima, George and Quincy.

development of wireless facilities-based competition with the wireline incumbents. See specifically the Commission's Seventh Report and Order, ¶ 72.

2. Explicit support should be based, as the Commission concluded, "...on the costs that drive market decisions...forward looking costs."<sup>4</sup> Reliance on the underlying cost of providing service in this manner helps ensure that contributions and support mechanisms are implemented on an equitable and nondiscriminatory basis.

3. The Commission should also target explicit support specifically to subscribers in geographic areas most in need of support. Deaveraging explicit support will encourage efficient competitive entry to serve these areas and in turn will promote responsive investment, innovation and deployment of advanced cost-efficient technologies by all competitors including incumbents. USCC also supports implementation of "targeting" so that the size of the federal support fund is not significantly increased.

4. USCC also agrees with the Commission's view that the portability of support is a "critical step" towards the development of efficient competition.<sup>5</sup> This is essential to preserve competitive neutrality as new entrants to local markets in high-cost areas attempt to compete with incumbent local exchange carriers ("LECs") for the provision of supported services. USCC also strongly supports the Commission's conclusion that incumbent LECs should have a corresponding reduction in their federal high-cost support if they lose customers to competitors.<sup>6</sup>

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<sup>4</sup> Seventh Report and Order, ¶ 50.

<sup>5</sup> Id. at ¶ 15.

<sup>6</sup> Id. at ¶ 74.

5. The Commission raises legitimate concerns regarding opportunities for “double recovery” by incumbent LECs resulting from significant increases in federal support in combination with existing intrastate support.<sup>7</sup> As a new eligible telecommunications carrier, USCC sees the prevention of such double recovery by incumbent LECs as essential to avoid undermining the Commission’s fundamental goal of fostering sustainable local competition.

### Conclusion

The Commission’s recent Fourth Annual CMRS Report describes dramatic advances in scope, affordability, number of providers and geographic availability of wireless services, including development of wireless local loop services.<sup>8</sup> Fostering the public benefits from these advances to serve the goals of affordable and sustainable universal service should be a central goal of these proceedings. As Chairman Kennard has stated,

“We should ensure that all areas are served in the most efficient way, rather than mistakenly trying to use universal service support to pay for less efficient technologies in hard-to-serve areas. We must let the network of networks adapt to different environments. Instead of trying to make the same twisted-pair networks work everywhere, let’s create a world where wireless networks can serve less densely populated areas.”<sup>9</sup>

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<sup>7</sup> Id. at ¶¶ 13, 66 and 115.

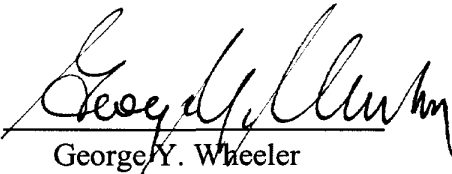
<sup>8</sup> Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Fourth Report (FCC 99-136) released June 24, 1999 (“Fourth Annual CMRS Report”), Appendix F.

<sup>9</sup> Remarks by William E. Kennard to WIRELESS 98, Atlanta, Georgia (February 23, 1998).

In order to achieve what the Chairman has aptly described, the Commission should adopt federal support mechanisms which assure fair opportunities for local competition as discussed here.

Respectfully submitted,

UNITED STATES CELLULAR CORPORATION

By   
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